

NEW ORLEANS REDEVELOPMENT AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS: | |
| Statement of Net Assets December 31, 2005 | 10 |
| Statement of Activities for the Year Ended December 31, 2005 | 11 |
| FUND FINANCIAL STATEMENTS: | |
| Balance Sheet--Governmental Funds-December 31, 2005 | 12 |
| Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets of Governmental Activities December 31, 2005 | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds For the Year Ended December 31, 2005 | 15 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities for the Year Ended December 31, 2005 | 16 |
| Statement of Net Assets--Proprietary Funds December 31, 2005 | 17 |
| Statement of Revenues, Expenses and Changes In Fund Net Assets Proprietary Funds For the Year Ended December 31, 2005 | 18 |
| Statement of Cash Flows--Proprietary Funds For the Year Ended December 31, 2005 | 19 |
| NOTES TO THE FINANCIAL STATEMENTS | 20 |

TABLE OF CONTENTS, CONTINUED

| | <u>PAGE</u> |
|---|-------------|
| SUPPLEMENTARY INFORMATION: | |
| Independent Auditors' Report on Supplementary Information | 36 |
| COMBINING FUND STATEMENTS | |
| EXHIBITS: | |
| A. Combining Balance Sheet--General Fund-December 31, 2005 | 37 |
| B. Combining Statement of Revenues, Expenditures and Changes in Fund Balance--General Fund For the Year Ended December 31, 2005 | 38 |
| C. Statement of Revenues, Expenditures and Changes in Fund Balance--General Fund--Budgeted and Actual--For the Year Ended December 31, 2005 | 39 |
| D. Statement of Revenues, Expenditures and Changes in Fund-- Balance--Budgeted and Actual--Blighted Properties Administrative Fund--For the Year ended December 31, 2005 | 40 |
| SCHEDULE I - Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2005 | 41 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS..... | 42 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 | 44 |

TABLE OF CONTENTS, CONTINUED

PAGE

SUPPLEMENTARY INFORMATION, CONTINUED

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2005:

| | | | |
|-----------------------|---|---|----|
| Section I | - | Summary of Auditors' Results | 47 |
| Section II | - | Financial Statement Findings and Questioned Costs..... | 49 |
| Section III | - | Federal Award Finding and Questioned Costs | 50 |
| Section IV | - | Status of Prior Years' Findings and Questioned Costs .. | 53 |
| EXIT CONFERENCE | | | 54 |



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units information of the **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2005, which collectively comprise NORA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of NORA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NORA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units information of NORA as of December 31, 2005, and respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2007, on our consideration of NORA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. Also, that report contained an instance of noncompliance.

The management's discussion and analysis on pages 3 through 9 and budgetary comparison information (Exhibits C and D) are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 24, 2007

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

This report offers readers of these financial statements an overview and analysis of the financial activities of New Orleans Redevelopment Authority (NORA) as of and for the years ended December 31, 2005 and 2004. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in NORA's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis is designed to focus on NORA's current year activities, resulting changes and currently known facts.

FINANCIAL HIGHLIGHTS

NORA's assets exceeded its liabilities by \$ 1,982,162 and \$1,556,124 for the years ended 2005 and 2004.

NORA's total net assets increased by \$ 426,038 and \$274,025 during 2005 and 2004, primarily as a result of the gain on disposition of inventory of \$116,355 and the recognition of revenue earned under the Neighborhood Housing Improvement Fund of \$57,875. Also, beginning net assets was restated for a net affect of \$223,813. For the years ended December 31, 2005 and 2004, net (expense) revenues were \$85,778 and \$18,466 for the governmental activities. Similarly, net (expense) revenues for the business type activities were \$116,447 in 2005 and \$255,559 in 2004.

At December 31, 2005 and 2004, NORA's governmental funds reported combined ending fund balances of \$620,803 and \$299,158, which reflect an increase of \$321,645 in 2005 and a decrease of \$338,318 in 2004. Of the total fund balances, \$205,365 is designated for current and future projects for both 2005 and 2004, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

NORA's presentation of financial statements greatly changed with the implementation of Governmental Accounting Standards Board Statement No. 34. These statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance NORA's accountability.

Management's Discussion and Analysis introduces NORA's basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. NORA also includes in this report additional information to supplement the basic financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

Government-Wide Financial Statements

The government-wide financial statements on pages 10 and 11 are designed to be similar to private-sector business. These statements combine NORA's current financial resources with capital assets and long-term obligations.

The Statement of Net Assets on page 10 presents information on all of NORA's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of NORA is improving or deteriorating.

The Statement of Activities on page 11, presents information showing how NORA's assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e. earned but unused vacation leave result in cash flows for future periods). The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by NORA's grant revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services.

The governmental activities reflect NORA's basic services including the rehabilitation and/or removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community. The business-type activities of NORA reflect the development of viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income .

These services are financed primarily with grants, proceeds from sales of inventory, and other charges.

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types. Within the basic financial statements, fund financial statements focus on NORA's most significant funds rather than NORA as a whole. Major funds are separately reported while others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

NORA's funds can be divided into two categories: governmental funds and proprietary funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. NORA's governmental funds on pages 12, 13 and 15 are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and accounting principles generally accepted in the United States of America.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating NORA's current financing requirements.

A budgetary comparison statement is included in the basic financial statements for the major governmental funds.

Proprietary funds on pages 17 through 19 provide the same type of information as the government-wide financial statements, only in more detail for the major enterprise funds. Individual fund information for nonmajor enterprise funds is found in the combining statements in a later section of this report.

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

The governmental major funds total column requires a reconciliation because of the different measurement focus which is reflected on the page following each statement (see page 14). The reconciliation incorporates long-term obligations and capital assets into the government-wide statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 20 through 35 of the accompanying audit report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which can be found on pages 40 through 46 of this report. The supplementary sections are included for additional information and analysis and do not constitute a part of the basic financial statements.

Financial Analysis of NORA as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of NORA as a whole.

STATEMENT OF NET ASSETS COMPARATIVE DATA

| | <u>2005</u> | <u>2004</u> | <u>Amount Change</u> |
|----------------------------|--------------------|--------------------|----------------------|
| Current and other assets | \$ 4,257,866 | \$3,929,292 | \$ 328,574 |
| Capital assets | <u>34,000</u> | <u>34,000</u> | <u>-0-</u> |
| Total assets | <u>4,291,866</u> | <u>3,963,292</u> | 328,574 |
| Current liabilities | 2,289,993 | 2,389,412 | (99,419) |
| Noncurrent liabilities | <u>19,711</u> | <u>17,756</u> | <u>1,955</u> |
| Total current liabilities | <u>2,309,704</u> | <u>2,407,168</u> | <u>(97,464)</u> |
| Net Assets: | | | |
| Invested in capital assets | 34,000 | 34,000 | -0- |
| Unrestricted | <u>1,948,162</u> | <u>1,522,124</u> | <u>426,038</u> |
| Net assets | <u>\$1,982,162</u> | <u>\$1,556,124</u> | <u>\$ 426,038</u> |

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

NORA's net assets at December 31, 2005 and 2004 were \$1,982,162 and \$1,556,124. Of this amount, \$34,000 represents the amount invested in capital assets at December 31, 2005 and 2004. The remaining of \$1,948,162 for 2005 and \$1,522,124 for 2004 are unrestricted.

NORA's major source of program revenues totaling \$ 1,371,909 and \$1,366,210 for the years ended December 31, 2005 and 2004, represent grants and/or subsidies from the City of New Orleans and the State of Louisiana. Of this amount, \$1,371,909 and \$1,366,210 in 2005 and 2004 are included in the governmental fund and \$-0- for each of the years ended 2005 and 2004 in the proprietary funds. NORA's proprietary funds' revenues resulted from the sales of inventory in the amount of \$116,355 in 2005 and \$255,239 in 2004. NORA's major source of general revenues came as a result of interest income on cash investments.

Program expenses totaled \$1,700,316 for 2005 and \$2,607,643 for 2004 of which \$538,458 for 2005 and \$578,907 for 2004 were spent on salaries and employee benefits, \$490,524 in 2005 and \$611,911 in 2004 on contractual services and \$237,888 in 2005 and \$314,200 in 2004 for land and acquisitions. These areas represent 75% and 73% respectively of total expenses. The overall change in revenues and expenses was primarily due to the impact of Hurricane Katrina on August 29, 2005, which also resulted in the evacuation of all citizens in the City of New Orleans and temporary closure of NORA's operations.

STATEMENT OF ACTIVITIES COMPARATIVE DATA

| | <u>TOTAL</u> | | |
|--|--------------------|--------------------|----------------------|
| | <u>2005</u> | <u>2004</u> | <u>Amount Change</u> |
| Program Revenues: | | | |
| Charges for services | \$ 118,525 | \$ 51,485 | \$ 67,040 |
| Operating grants and contributions | 1,371,909 | 1,366,210 | 5,699 |
| Capital grants and contributions | 4,000 | 252,431 | (248,431) |
| Sales of inventory | <u>397,100</u> | <u>1,209,160</u> | <u>(812,060)</u> |
| | <u>1,891,534</u> | <u>2,879,286</u> | <u>(987,752)</u> |
| General Revenues: | | | |
| Interest income | 10,894 | 2,382 | 8,512 |
| Other | <u>113</u> | <u>-0-</u> | <u>113</u> |
| | <u>11,007</u> | <u>2,382</u> | <u>8,625</u> |
| Expenses: | | | |
| General Expenses | <u>1,700,316</u> | <u>2,607,643</u> | <u>907,327</u> |
| Change in net assets | 202,225 | 274,025 | (71,800) |
| Net assets, beginning of year, as restated | <u>1,779,937</u> | <u>1,282,099</u> | <u>497,838</u> |
| Net assets, end of year | <u>\$1,982,162</u> | <u>\$1,556,124</u> | <u>\$ 426,038</u> |

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

Financial Analysis of NORA's Funds

Governmental Funds: As discussed, the focus of NORA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing NORA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of NORA's net resources available for spending at the end of the year.

At December 31, 2005 and 2004, NORA's governmental funds reported combined ending fund balances of \$ 620,803 and \$299,158. Of these amounts, \$205,365 for both years is reserved. The fund balances are reserved to indicate that it is not available for new spending because it has already been committed to the liquidation of contracts and purchase orders.

Major Governmental Funds: The general fund is the chief operating fund of NORA. At December 31, 2005 and 2004, reserved and unreserved fund balances of the general fund were \$ 552,013 and \$299,158.

The Blighted Properties Administrative fund receives funding under contract with the City of New Orleans to provide rehabilitation, clearance and redevelopment of slums in blighted areas of the City of New Orleans. The fund balance always reflects a zero balance as this fund operates on a cost-reimbursement basis.

Proprietary Funds: The focus of NORA's proprietary funds are to provide the same type of information found in the government-wide financial statements, but in more detail.

Major Proprietary Funds: Unrestricted net assets at December 31, 2005 and 2004 amounted to \$ 1,344,371 and \$1,228,010, a change of \$ 116,361 (net of a prior period adjustment of \$86) and \$593,877 respectively.

Shelter Plus Care reflects no change in net assets for the years ended December 31, 2005 and 2004.

Moderate Rehabilitation Program reflects a change of \$6 and \$0 for the years ended at December 31, 2005 and 2004.

The Real Estate Acquisition and Land Banking Mechanism reported an increase in net assets of \$116,355 and \$255,559 for 2005 and 2004, respectively reflecting its continued financial performance.

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

General Fund Budgetary Highlights

The general fund's original budgets for the fiscal year 2005 and 2004 were \$ 1,333,450 and 1,350,000.

Capital Asset and Debt Administration

At December 31, 2005 and 2004, NORA had \$34,000 invested in capital assets consisting principally of land. See page 29 for detail composition of capital assets.

Economic Factors and Next Year's Budget and Rates

NORA's 2006 budget has been submitted and is currently awaiting approval by the appropriate officials of the City of New Orleans.

Requests for Information

The report is designed to provide a general overview of NORA's finances for all those that are interested in NORA's finances. Any questions concerning any of the enclosed information in this report and/or requests for additional information should be addressed to Executive Director, New Orleans Redevelopment Authority, 1340 Poydras Street - Suite 1152, New Orleans, Louisiana 70112.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

| | <u>ASSETS</u> | | | |
|--|------------------------------------|-------------------------------------|-----------------------------------|----------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Unit</u> | <u>Component Units</u> |
| Current Assets: | | | | |
| Cash (NOTE 4) | \$ 960,797 | \$ 2,770 | \$ 963,567 | \$-0- |
| Amounts receivable, net (NOTE 20) | 63,957 | -0- | 63,957 | -0- |
| Grants receivable (NOTE 8) | 1,317,318 | -0- | 1,317,318 | -0- |
| Accrued interest receivable | -0- | 14 | 14 | -0- |
| Advance | 40,000 | -0- | 40,000 | -0- |
| Prepaid acquisition costs | -0- | 134,945 | 134,945 | -0- |
| Prepaid items | 80,780 | -0- | 80,780 | -0- |
| Unimproved land and structures (NOTE 6) | -0- | 687,334 | 687,334 | -0- |
| Due from other funds | -0- | 969,951 | 969,951 | -0- |
| Total current assets | <u>2,462,852</u> | <u>1,795,014</u> | <u>4,257,866</u> | <u>-0-</u> |
| Noncurrent assets: | | | | |
| Capital assets, net (NOTE 5) | <u>34,000</u> | <u>-0-</u> | <u>34,000</u> | <u>-0-</u> |
| Total noncurrent assets | <u>34,000</u> | <u>-0-</u> | <u>34,000</u> | <u>-0-</u> |
| Total assets | <u>2,496,852</u> | <u>1,795,014</u> | <u>4,291,866</u> | <u>-0-</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | |
| Current liabilities: | | | | |
| Bank overdraft | 14,269 | -0- | 14,269 | -0- |
| Amounts payable (NOTE 16) | 628,288 | 643 | 628,931 | -0- |
| Salaries and related payroll taxes payable | 9,715 | -0- | 9,715 | -0- |
| Line of credit (NOTE 14) | -0- | 450,000 | 450,000 | -0- |
| Deferred revenues (NOTE 17) | 24,124 | -0- | 24,124 | -0- |
| Due to other funds | 969,951 | -0- | 969,951 | -0- |
| Due to primary government | 188,337 | -0- | 188,337 | -0- |
| Compensated absences payable (NOTE 15) | <u>4,666</u> | <u>-0-</u> | <u>4,666</u> | <u>-0-</u> |
| Total current liabilities | <u>1,839,350</u> | <u>450,643</u> | <u>2,289,993</u> | <u>-0-</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences payable (NOTE 15) | <u>19,711</u> | <u>-0-</u> | <u>19,711</u> | <u>-0-</u> |
| Total noncurrent liabilities | <u>19,711</u> | <u>-0-</u> | <u>19,711</u> | <u>-0-</u> |
| Total liabilities | <u>1,859,061</u> | <u>450,643</u> | <u>2,309,704</u> | <u>-0-</u> |
| Net Assets: | | | | |
| Invested in capital assets | 34,000 | -0- | 34,000 | -0- |
| Unrestricted | <u>603,791</u> | <u>1,344,371</u> | <u>1,948,162</u> | <u>-0-</u> |
| Total net assets | <u>\$ 637,791</u> | <u>\$1,344,371</u> | <u>\$ 1,982,162</u> | <u>\$-0-</u> |

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

| Functions | PROGRAM REVENUES | | | | NET (EXPENSE) REVENUES AND CHANGES NET ASSETS | | | |
|---|--------------------|-------------------------|--------------------|--|--|--------------------------------|--------------------------|--------------------|
| | Expenses | Changes for Services | Grants | Capital Grants and Contributions | Governmental Activities | Business Type Activities | Total Primary Unit | Component Units |
| Governmental Activities: | | | | | | | | |
| Blighted Properties Removal Program | \$1,313,780 | \$ 13,450 | \$1,317,318 | \$ -0- | \$ 16,988 | \$ -0- | \$ 16,988 | \$ -0- |
| Neighborhood Housing Improvement Fund | <u>101,791</u> | <u>105,075</u> | <u>54,591</u> | <u>-0-</u> | <u>57,875</u> | <u>-0-</u> | <u>57,875</u> | <u>\$ -0-</u> |
| Total governmental activities | <u>\$1,415,571</u> | <u>\$118,525</u> | <u>\$1,371,909</u> | <u>\$ -0-</u> | <u>\$ 74,863</u> | <u>\$ -0-</u> | <u>\$ 74,863</u> | <u>\$ -0-</u> |
| Business-type Activities: | | | | | | | | |
| Real Estate Acquisition and Land Banking | | | | | | | | |
| Mechanism | \$ 280,745 | \$ 397,100 | \$ -0- | \$ -0- | \$ -0- | \$ 116,355 | \$ 116,355 | \$ -0- |
| Total business-type activities | <u>\$ 280,745</u> | <u>\$ 397,100</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 116,355</u> | <u>\$ 116,355</u> | <u>\$ -0-</u> |
| Component Units: | | | | | | | | |
| Non-major | \$ 4,000 | \$ -0- | \$ -0- | \$ 4,000 | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Total component units | <u>\$ 4,000</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 4,000</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| General Revenues: | | | | | | | | |
| Interest income | | | | | 10,894 | 92 | 10,986 | -0- |
| Other income | | | | | <u>21</u> | <u>-0-</u> | <u>21</u> | <u>-0-</u> |
| Total general revenues | | | | | <u>10,915</u> | <u>92</u> | <u>11,007</u> | <u>-0-</u> |
| Change in net assets | | | | | 85,778 | 116,447 | 202,225 | -0- |
| Net assets, beginning of year as restated | | | | | <u>552,013</u> | <u>1,227,924</u> | <u>1,779,937</u> | <u>-0-</u> |
| Net assets, end of year | | | | | <u>\$637,791</u> | <u>\$1,344,371</u> | <u>\$1,982,162</u> | <u>\$ -0-</u> |

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005

ASSETS

GOVERNMENTAL FUNDS

| | <u>General Fund</u> | <u>Blighted Properties Administrative Fund</u> | <u>Neighborhood Housing Improvement Fund</u> | <u>Total</u> |
|-------------------------------------|-------------------------|--|--|--------------------|
| Cash and temporary cash investments | \$ -0- | \$ 935,840 | 24,957 | \$ 960,797 |
| Amounts receivable, net | 57,102 | 6,855 | -0- | 63,957 |
| Advance | 40,000 | -0- | -0- | 40,000 |
| Prepaid items | -0- | 63,792 | -0- | 63,792 |
| Grants receivable | -0- | 1,292,941 | -0- | 1,292,941 |
| Due from other funds | 2,319,909 | 1,257,176 | 67,957 | 3,645,042 |
| Land and improvements | <u>34,000</u> | <u>-0-</u> | <u>-0-</u> | <u>34,000</u> |
| Total assets | <u>\$2,451,011</u> | <u>\$3,556,604</u> | <u>\$92,914</u> | <u>\$6,100,529</u> |

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS, CONTINUED
DECEMBER 31, 2005

LIABILITIES AND FUND BALANCES

| | <u>GOVERNMENTAL FUNDS</u> | | | |
|--|---------------------------|--|--|---------------------------|
| | <u>General Fund</u> | <u>Blighted Properties Administrative Fund</u> | <u>Neighborhood Housing Improvement Fund</u> | <u>Total</u> |
| Liabilities: | | | | |
| Bank overdraft | \$ 14,269 | \$ -0- | \$ -0- | \$ 14,269 |
| Amounts payable - vendors | -0- | 350,117 | -0- | 350,117 |
| Amounts payable - other | 278,171 | -0- | -0- | 278,171 |
| Advances--City of New Orleans | 9,783 | -0- | -0- | 9,783 |
| Due to other funds | 1,418,221 | 3,196,772 | -0- | 4,614,993 |
| Salaries and payroll taxes payable | -0- | 9,715 | -0- | 9,715 |
| Deferred revenues | -0- | -0- | 24,124 | 24,124 |
| Due to City of New Orleans | <u>178,554</u> | <u>-0-</u> | <u>-0-</u> | <u>178,554</u> |
| Total liabilities | <u>1,898,998</u> | <u>3,556,604</u> | <u>24,124</u> | <u>5,479,726</u> |
| Fund balances: | | | | |
| Unreserved | 346,648 | -0- | 68,790 | \$ 415,438 |
| Reserved (NOTE 7) | <u>205,365</u> | <u>-0-</u> | <u>-0-</u> | <u>205,365</u> |
| Total fund balances | <u>552,013</u> | <u>-0-</u> | <u>68,790</u> | <u>620,803</u> |
| Total liabilities and fund balances | <u>\$2,451,011</u> | <u>\$3,556,604</u> | <u>\$92,914</u> | <u>\$6,100,529</u> |

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005

Amounts reported for governmental activities in
Statement of Activities are different because:

| | |
|--|-------------------|
| Total fund balances – governmental funds | \$ 620,803 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | (24,377) |
| Revenues in the Statement of Activities that do not provide current financial resources, are not reported as revenue in the funds | 24,377 |
| Governmental activities report certain outlays as expenditures in the Statement of Net Assets, these <i>costs are capitalized and amortized over the periods</i> | <u>16,988</u> |
| Net assets of governmental activities | \$ <u>637,791</u> |

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>GOVERNMENTAL FUNDS</u> | | | |
|--|---------------------------|-----------------------|---------------------|--------------|
| | <u>General</u> | <u>Blighted</u> | <u>Neighborhood</u> | |
| | <u>Fund</u> | <u>Properties</u> | <u>Housing</u> | |
| | | <u>Administrative</u> | <u>Improvement</u> | <u>Total</u> |
| | | <u>Fund</u> | <u>Fund</u> | |
| Revenues: | | | | |
| Grants - City of New Orleans | \$ -0- | \$1,292,941 | \$ -0- | \$1,292,941 |
| Grants - State of Louisiana | -0- | -0- | 54,591 | 54,591 |
| Fees | -0- | -0- | 105,075 | 105,075 |
| Interest income | -0- | -0- | 10,894 | 10,894 |
| Program income | -0- | 13,450 | -0- | 13,450 |
| Other income | -0- | -0- | 21 | 21 |
| Total revenues | -0- | 1,306,391 | 170,581 | 1,476,972 |
| Expenditures: | | | | |
| Salaries and employee benefits | -0- | 538,458 | -0- | 538,458 |
| Convention and travel | -0- | 8,932 | 3,853 | 12,785 |
| Advertisement | -0- | 5,786 | -0- | 5,786 |
| Repairs and maintenance | -0- | 4,676 | -0- | 4,676 |
| Contractual services | -0- | 427,130 | 63,394 | 490,524 |
| Land Acquisitions | -0- | 237,883 | -0- | 237,883 |
| Equipment and property | -0- | 1,770 | -0- | 1,770 |
| Supplies | -0- | 8,198 | 1,339 | 9,537 |
| Telephone | -0- | 5,328 | 4,305 | 9,633 |
| Automobile expenses | -0- | 2,042 | 26,166 | 28,208 |
| Postage and printing | -0- | 4,323 | -0- | 4,323 |
| Insurance | -0- | 27,747 | -0- | 27,747 |
| Interest expense | -0- | 31,938 | -0- | 31,938 |
| Other | -0- | 2,180 | 2,734 | 4,914 |
| Total expenditures | -0- | 1,306,391 | 101,791 | 1,408,182 |
| Deficiency or revenues over expenditures before other financing sources | -0- | -0- | 68,790 | 68,970 |
| Net change in fund balances | -0- | -0- | 68,790 | 68,790 |
| Fund balances, beginning of year | 299,158 | -0- | -0- | 299,158 |
| Adjustments to beginning fund balances | 252,855 | -0- | -0- | 252,855 |
| Fund balances, beginning of year, as restated | 552,013 | -0- | -0- | 552,013 |
| Fund balances, end of year | \$552,013 | \$ -0- | \$ 68,970 | \$ 620,803 |

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Amounts reported for governmental activities in
Statement of Activities are different because:

| | |
|-----------------------------|-----------|
| Net change in fund balances | \$ 68,790 |
|-----------------------------|-----------|

| | |
|---|---------------|
| Governmental activities report certain outlays as expenditures; in the Statement of Net Assets, these costs are capitalized and amortized over the periods benefitting from such costs | <u>16,988</u> |
|---|---------------|

| | |
|----------------------|------------------|
| Change in net assets | <u>\$ 85,778</u> |
|----------------------|------------------|

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS--PROPRIETARY FUNDS
DECEMBER 31, 2005

ASSETS

| | <u>Business-type Activities--Enterprise Funds</u> | | | |
|--------------------------------|---|--|---|------------------|
| | <u>Shelter Plus Care</u> | <u>Moderate Rehabilitation Program</u> | <u>Real Estate Acquisition And Land Banking Mechanism</u> | <u>Total</u> |
| Current Assets: | | | | |
| Cash | \$ 52 | \$ 2,718 | \$ -0- | \$ 2,770 |
| Accrued interest receivable | 14 | -0- | -0- | 14 |
| Prepaid Acquisition Costs | -0- | -0- | 134,945 | 134,945 |
| Unimproved land and structures | -0- | -0- | 687,334 | 687,334 |
| Due from other funds | <u>16,237</u> | <u>-0-</u> | <u>1,507,340</u> | <u>1,523,577</u> |
| Total current assets | <u>16,303</u> | <u>2,718</u> | <u>2,329,619</u> | <u>2,348,640</u> |
| Total assets | <u>16,303</u> | <u>2,718</u> | <u>2,329,619</u> | <u>2,348,640</u> |

LIABILITIES AND NET ASSETS

| | | | | |
|---------------------------|-----------------|--------------|--------------------|--------------------|
| Current Liabilities: | | | | |
| Amounts payable | 756 | -0- | -0- | 756 |
| Due to other funds | 3,046 | 2,712 | 547,755 | 553,513 |
| Line of credit | <u>-0-</u> | <u>-0-</u> | <u>450,000</u> | <u>450,000</u> |
| Total current liabilities | <u>3,802</u> | <u>2,712</u> | <u>997,755</u> | <u>1,004,269</u> |
| Net Assets: | | | | |
| Unrestricted net assets | <u>12,501</u> | <u>6</u> | <u>1,331,864</u> | <u>1,344,371</u> |
| Total net assets | <u>\$12,501</u> | <u>\$ 6</u> | <u>\$1,331,864</u> | <u>\$1,344,371</u> |

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Business-type Activities-Enterprise Funds</u> | | | |
|---|--|---|--|---------------------|
| | <u>Shelter Plus Care</u> | <u>Real Estate Acquisition And Land Banking Mechanism</u> | <u>Moderate Rehabilitation Program</u> | <u>Total</u> |
| Operating Revenues: | | | | |
| Sales of inventory | \$ <u>-0-</u> | \$ <u>397,100</u> | \$ <u>-0-</u> | \$ <u>397,100</u> |
| Total operating revenues | <u>-0-</u> | <u>397,100</u> | <u>-0-</u> | <u>397,100</u> |
| Operating Expenses: | | | | |
| Cost of inventory | <u>-0-</u> | <u>280,745</u> | <u>-0-</u> | <u>280,745</u> |
| Total operating expenses | <u>-0-</u> | <u>280,745</u> | <u>-0-</u> | <u>280,745</u> |
| Operating income | <u>-0-</u> | <u>116,355</u> | <u>-0-</u> | <u>116,355</u> |
| Non-operating revenues: | | | | |
| Interest income | <u>-0-</u> | <u>-0-</u> | <u>92</u> | <u>92</u> |
| Total non-operating revenues | <u>-0-</u> | <u>-0-</u> | <u>92</u> | <u>92</u> |
| Change in net assets | <u>-0-</u> | <u>116,355</u> | <u>92</u> | <u>116,477</u> |
| Net assets, beginning of year | 12,501 | 1,215,509 | -0- | 1,228,010 |
| Adjustments to beginning net assets | <u>-0-</u> | <u>-0-</u> | <u>(86)</u> | <u>(86)</u> |
| Net assets, beginning of year, as restated | <u>12,501</u> | <u>1,215,509</u> | <u>(86)</u> | <u>1,227,924</u> |
| Total net assets, end of year | \$ <u>12,501</u> | \$ <u>1,331,864</u> | \$ <u>6</u> | \$ <u>1,344,371</u> |

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | |
|---|------------------|
| Cash Flows from Operating Activities: | |
| Receipts from sales of inventory | \$ 397,100 |
| Receipt of interest income | 92 |
| Purchase of inventory | <u>(394,474)</u> |
| Net cash used in operating activities | <u>2,718</u> |
| Increase in cash | 2,718 |
| Cash, beginning of year | <u>52</u> |
| Cash, end of year | \$ <u>2,770</u> |
| Reconciliation of operating income to net cash used in operating activities: | |
| Operating income | \$ 116,355 |
| Changes in assets and liabilities: | |
| Increase in prepaid acquisition costs | 4,557 |
| Decrease in inventory | 206,763 |
| Decrease in due from other funds | (253,477) |
| Decrease in due to other funds | <u>(71,480)</u> |
| Net cash used in operating activities | \$ <u>2,718</u> |

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Background and General Data:

Background

The New Orleans Redevelopment Authority (NORA) exists under the authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968. NORA was formulated as a program by the City of New Orleans for the utilization of appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the creation and organization of a community improvement agency; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans in accordance with community improvement plans or projects approved by the governing body of the City of New Orleans; to define the duties, liabilities, exemptions, authority and functions of such community improvement agency, including the acquisition of property by negotiation, gift or expropriation, the disposition of property by sale or lease, the issuance of bonds, borrowing of money and giving of security therefore and to allow bonds issued to be legal investments for banks and fiduciaries; to provide for notice and hearing; to authorize entering into agreements to secure Federal aid; to authorize public bodies to furnish funds, services, facilities and property in aid of community improvement projects and related activities hereunder; and to provide that securities issued and properties while held by the New Orleans Redevelopment Authority shall be exempt from taxation.

On July 7, 1994, the Louisiana Legislature passed Act No. 65 which amended Act No. 170 that created the New Orleans Redevelopment Authority. Act No. 65 effectively changed the name of the Community Improvement Agency to New Orleans Redevelopment Authority. In addition, the Board of Commissioners also adopted a resolution approving the name change.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General

As of December 31, 2005, NORA was primarily engaged in the following programs:

- Blighted Property Removal Program
- Neighborhood Housing Improvement Fund
- Shelter Plus Care Program
- Real Estate Acquisition and Land Building Mechanism (REALM)

New Orleans Redevelopment Authority under a contract with the City of New Orleans provides technical assistance in connection with the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large.

A brief description of each program follows:

- Blighted Property Removal Program and Neighborhood Housing Improvement Fund

The Blighted Property Removal Program and the Neighborhood Housing Improvement Fund are designed to provide for the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community.

The program provides for technical assistance and/or financial assistance for rehabilitation, as may be available, to the existing property owner. The program is administered by NORA under contract with the City of New Orleans.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General, Continued

- Shelter Plus Care Program

The Shelter Plus Care Program is designed to develop viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income. The program's fiscal aspect is administered by NORA under contract with the City of New Orleans. For 2005, NORA had no contract obligation with the City of New Orleans.

- Real Estate Acquisition and Land Banking Mechanism

The REALM program is designed to provide a mechanism for the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property to allow for a greater impact on blight and community redevelopment.

NOTE 2 - Summary of Significant Accounting Policies:

General Fund

The general fund is used by NORA to account for all financial activities or resources that are not budgeted for in other funds.

Financial Reporting Entity

NORA exist under the Authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968 and subsequently amended by Act No. 65, passed in 1994. NORA has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and the City of New Orleans.

Government Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*" established standards for defining and reporting on the financial entity.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Financial Reporting Entity, Continued

GASB 14 indicates that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

NORA was established as a separate, legal entity with a governing board which is separate and independent of any other governmental "reporting entity" as defined by GASB 14. Accordingly, management has concluded that NORA is a financial reporting entity within the meaning of the provisions of GASB 14.

NORA formed in 2004 a 501(c)3 organization NORU Unlimited, Inc. to utilize appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans to include, but not limited to community improvement plans or projects approved by the governing body of the City of New Orleans; and to acquire property by negotiation, or gift, and the disposition of property by sale, lease, or gift. To own real estate, to buy or sell, develop or lease, and generally handle, movable and immovable property of every nature and kind.

Also, during 2005, NORA formed a limited liability company NORA Community Capital, LLC for the primary purpose of serving the low income communities and the Orleans Parish; and providing investment capital to low income persons in Orleans Parish; and the component units financial statements have been included in NORA's financial statements in a discrete presentation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of NORA. The effect of interfund activity has been removed from these statements.

NORA's statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who use or directly benefit from services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items are properly included among program revenues or reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements, Continued

NORA reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Blighted Properties Administrative/Neighborhood Housing Improvement Fund Program is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes regarding the rehabilitation and/or demolition and removal of blight in the City of New Orleans.

NORA reports the following major proprietary funds:

The Shelter Plus Care Program accounts for the activities of NORA in providing housing assistance payments on behalf of eligible families leasing from owners of property.

The Realm Program accounts for activities related to the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements, Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a propriety fund's principal ongoing operations. The principal operating revenues of NORA's enterprise fund are changes to customers for services and sales of inventory of land. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the provisions of GASB 33 Standards (Accounting and Financial Reporting for Non-Exchange Transactions), NORA recognizes assets, liabilities, revenues and expenditures under its government-mandated and voluntary non-exchange transactions as follows:

- NORA recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- Revenue and expenditures are recognized when all applicable eligibility requirements are met; and
- Transactions with time requirements, resources received prior to the satisfaction of the time requirement(s), are recorded by NORA as deferred revenue upon award.

Statement of Cash flows

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with an original maturity of ninety (90) days or less when purchased to be cash equivalents.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets include, land and equipment and are recorded at cost when the individual cost exceeds \$500. When no historical records are available, land and equipment are valued at estimated historical cost. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. In addition, costs associated with certain property acquired with CDBG funds received from the City of New Orleans are reflected as program costs to the respective programs. The property inventory is accounted for by the City of New Orleans.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not included in or capitalized in the proprietary fund. Equipment in the proprietary fund of NORA is recorded at cost.

Capital assets are depreciated in the proprietary fund of NORA using the straight-line method over a five (5) year estimated useful life. At December 31, 2005, equipment in the proprietary fund in an amount of \$26,455 is fully depreciated.

Inventory

Inventory is recorded at cost and represent cost incurred in the acquisition of blighted properties. Gain or loss resulting from the sale of the related properties is reflected in income in the period of sale.

Compensated Absences

NORA follows Louisiana Civil Service regulations for accumulated annual and sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the governmental funds when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Budgetary Data

NORA does not formally adopt or utilize a budget for its General Fund. Budgetary data for its Blighted Properties Administrative program is submitted to and approved annually by the applicable funding sources of NORA.

Because the budgets in the Special Revenue Funds are prepared on an accrual basis, no differences in budget basis and GAAP basis occur for those funds.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 3 - Post-retirement Benefits:

NORA provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of NORA's employees become eligible for these benefits if they reach normal retirement age while working for NORA. These benefits for retirees and similar benefits for active employees are provided through a private insurer, whose monthly premiums are paid jointly by the employee and NORA. NORA recognizes the cost of providing these benefits (NORA's portion of premiums) as an expenditure when the monthly healthcare and life insurance benefit premiums are due. In 2005, NORA's portion of benefit premiums totaled \$8,772.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Cash:

At December 31, 2005, the carrying amount of NORA's deposits was \$963,567 and the cumulative bank balance was \$1,463,207. The cumulative collected bank balance is covered by federal depository insurance. Custodial credit risk, is the risk that in the event of a failure by the financial institution, NORA's deposits may not be returned to it. NORA has no deposit policy for custodial credit risk; however, at December 31, 2005, none of NORA's bank balances were exposed to custodial risk. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent. These securities are held by the fiscal agent bank in the name of NORA.

NOTE 5 - Capital Assets, Net:

As of December 31, 2005, capital assets consisted of the following:

| | Balance January 1, 2005 | Balance December 31, 2005 |
|--------------------------------------|-------------------------------|---------------------------------|
| Land | \$ 34,000 | \$ 34,000 |
| Equipment | <u>26,455</u> | <u>26,455</u> |
| Sub-total | 60,455 | 60,455 |
| Less: accumulated depreciation | (26,455) | (26,455) |
| Total | <u>\$ 34,000</u> | <u>\$ 34,000</u> |

NOTE 6 - Unimproved Land and Structures:

At December 31, 2005, NORA's inventory balance consist of costs associated in the acquisition of property by expropriation and held for resale in accordance with its efforts to rehabilitate, clear, and redevelop slum and blighted areas. See NOTE 14 for additional discussion on line of credit collateralized with the inventory of unimproved land and structures.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Reserved Fund Balance:

The reserved fund balance represents residual funds from completed projects. The fund primarily consists of deposits on land for Project A-2; retainage for contract work; relocation funds; and annual leave accrued for employees under the Comprehensive Employment Training Act. At December 31, 2005, no final determination has been made regarding the disposition of the funds.

NOTE 8 - Grants Receivable:

At December 31, 2005, grants receivable consists of \$ 1,292,941 due from the City of New Orleans to reimburse NORA for cost incurred on behalf of the Blighted Properties Administrative Program and \$24,377 representing compensated absences obligation for a cumulative total of \$1,317,318.

NOTE 9 - Leases:

NORA leases vehicles and equipment under operating leases. Total cost of such leases was \$15,071 for the year ended December 31, 2005. The future minimum lease payments for leases for the next three years (3) are as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Amount</u> |
|---|-----------------|
| 2006 | 7,720 |
| 2007 | 7,720 |
| 2008 | <u>1,908</u> |
| Total | <u>\$17,348</u> |

NOTE 10 - Retirement System:

Plan Description

NORA participates in a single-employer qualified defined benefit pension and retirement plan under Section 401(a) of the Internal Revenue Code operated by the Louisiana State Employees' Retirement System (LASERS). Membership in LASERS is mandatory for all State employees whose agency is a LASERS participant except those excluded by law.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Retirement System, Continued

Plan Description, Continued

LASERS is a public trust fund created by Act of Louisiana Legislature in 1946 to provide retirement allowances and other benefits to State officers and employees and their beneficiaries.

Plan Funding

Funding for the system comes from these sources: employee's contribution which is currently 7.5% of earned compensation, employer's contribution which is currently 19.1 %, and earnings from investments. For the year ended December 31, 2005, NORA's pension cost was \$73,239.

Information on the plan can be obtained at the following address:

Louisiana State Employees Retirement System
8401 United Plaza Blvd.
Baton Rouge, LA 70804-4213
Telephone: (800) 256-3000
FAX: (225) 922-0614
Website: lasers.state.la.us

Most recent historical trend information showing the plans progress in accumulating sufficient assets to pay benefits when due is presented in the plan's annual financial report. This report is subject to an audit by independent auditors who issue separate reports thereon.

The following summarizes selected information on the entire LASERS plan:

| <u>Fiscal Year</u> <u>Ending</u> | <u>Annual Pension</u> <u>Cost (APC)</u> <u>(Value at Midyear)</u> | <u>Percentage</u> <u>of APC</u> <u>Contributed</u> | <u>Net</u> <u>Pension</u> <u>Obligation</u> |
|-------------------------------------|---|--|---|
| 2003 | <u>\$328,772,738</u> | <u>94.1</u> | <u>\$21,225,164</u> |
| 2004 | <u>\$364,930,168</u> | <u>96.1</u> | <u>\$35,367,487</u> |
| 2005 | <u>\$404,460,067</u> | <u>100.9 %</u> | <u>\$ 31,552,169</u> |

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Retirement System, Continued

Plan Funding, Continued

In accordance with GASB No.27, the components of the annual pension cost and net pension obligation to LASERS at midyear are as follows:

| | |
|--|----------------------|
| Actuarial required contribution | \$ 411,727,561 |
| Interest on net pension obligation and adjustment to annual required contribution | <u>(7,267,494)</u> |
| Annual pension cost-interest adjusted to end of year | 404,460,067 |
| Contributions made | <u>(408,275,385)</u> |
| Decrease in net pension obligation | (3,815,318) |
| Net pension obligation, beginning of year | <u>35,367,487</u> |
| Net pension obligation, end of year | \$ <u>31,552,169</u> |

NOTE 11 - Risk Management

NORA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which NORA carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 12 - Concentration of Credit Risk:

NORA receives primarily all of its revenues from the City of New Orleans as a pass-through grant from the U.S. Department of Housing and Urban Development. If the amount of revenues received from the City of New Orleans falls below contract levels, NORA's operating results could be adversely affected.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - Commitments and Contingencies:

NORA receives primarily all of its revenues from the City of New Orleans as a pass-through grant from the U.S. Department of Housing and Urban Development. If the amount of revenues received from the City of New Orleans falls below contract levels, NORA's operating results could be adversely affected.

Funding

NORA is the recipient of a \$100,000 grant from the State of Louisiana Department of Economic Development to conduct an assessment of properties within a specific area, to conduct a feasibility study on acquiring a property for development, obtaining an architectural design and conducting Phase I calls for redevelopment of a multipurpose facility in connection with the Hoffman Triangle Project.

NOTE 14 - Line of Credit:

Line of credit consists of the outstanding balance at December 31, 2005, of \$450,000 on a revolving line of credit totaling \$750,000 effective November 3, 2003 and matured on March 2, 2006. The line of credit is collateralized by multiple properties owned by NORA (see NOTE 6). The interest rate on the line of credit is 7%. Payments terms amount to twelve (12) months interest only payments with the principal to be paid at maturity. Total interest paid for the year ended December 31, 2005 was \$31,938.

NOTE 15 - Changes in Compensated Absences:

| | <u>Current</u> | <u>Non-current</u> | <u>Total</u> |
|------------|-----------------|--------------------|------------------|
| Beginning | \$ 8,314 | \$17,756 | \$ 26,070 |
| Addition | 12,134 | 11,452 | 23,586 |
| Retirement | (15,782) | (9,497) | (25,279) |
| Ending | \$ <u>4,666</u> | \$ <u>19,711</u> | \$ <u>24,377</u> |

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 16 - Amounts Payable:

At December 31, 2005, amounts payable to vendors and others was \$628,288.

NOTE 17 - Deferred Revenues:

At December 31, 2005, deferred revenues consist of grant proceeds received by NORA from the Louisiana Treasurer's Office (Act 19) for technical services.

NOTE 18 - Related Party:

One of NORA's commissioners also holds an executive position with the City of New Orleans agency that directly approves and funds NORA's Blighted Properties Removal Program.

NOTE 19 - Per Diem for Board of Commissioners:

During the year ended December 31, 2005, no board member received per diem in his/her capacity as a Commissioner.

NOTE 20 - Amounts receivable, Net:

At December 31, 2005, amounts receivable consisted of the following:

| | <u>General Fund</u> | <u>Blighted Properties Administrative/ NHIF Funds</u> | <u>Total</u> |
|---------------------|-------------------------|---|-----------------|
| City of New Orleans | \$54,680 | \$ 6,855 | \$61,565 |
| Other | <u>2,422</u> | <u>-0-</u> | <u>2,422</u> |
| Total | <u>\$57,102</u> | <u>\$ 6,855</u> | <u>\$63,987</u> |

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 21 - Adjustment to Beginning Net Assets:

Adjustment to beginning net assets is to properly state the effect of activities into the governmental fund.

NOTE 22 - Hurricane Katrina:

On August 29, 2005, the City of New Orleans was impacted by the effects of Hurricane Katrina. The impact of Hurricane Katrina included the closure of the offices of NORA and the displacement of its employees through the later part of 2005. NORA suffered no damages at the offices it occupied.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Our report on our audit of the financial statements of the **New Orleans Redevelopment Authority (NORA)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations"* and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The supplementary information (Exhibits A, B, C and D) which are prepared in accordance with accounting principles generally accepted in the United States of America, has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

January 24, 2007

EXHIBIT A

**NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET--GENERAL FUND
DECEMBER 31, 2005**

| | <u>General Fund</u> | <u>Revolving Fund</u> | <u>Totals</u> |
|---|-------------------------|---------------------------|--------------------|
| <u>ASSETS</u> | | | |
| Advance | \$ 40,000 | \$ -0- | \$ 40,000 |
| Amounts receivable | 57,102 | -0- | 57,102 |
| Due from other funds | 1,787,383 | 532,526 | 2,319,909 |
| Land and improvements | <u>34,000</u> | <u>-0-</u> | <u>34,000</u> |
| Total assets | <u>\$1,918,485</u> | <u>\$532,526</u> | <u>\$2,451,011</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Bank overdraft | \$ -0- | \$ 14,269 | \$ 14,269 |
| Amounts payable - other | -0- | 278,171 | 278,171 |
| Advances-- City of New Orleans | 9,783 | -0- | 9,783 |
| Due to other funds | 1,311,972 | 106,249 | 1,418,221 |
| Due to City of New Orleans | <u>44,717</u> | <u>133,837</u> | <u>178,554</u> |
| Total liabilities | <u>1,366,472</u> | <u>532,526</u> | <u>1,898,998</u> |
| <u>Fund balances</u> | | | |
| Unreserved | 346,648 | -0- | 346,648 |
| Reserved | <u>205,365</u> | <u>-0-</u> | <u>205,365</u> |
| Total fund balances | <u>552,013</u> | <u>-0-</u> | <u>552,013</u> |
| Total liabilities and fund balances | <u>\$ 1,918,485</u> | <u>\$ 532,526</u> | <u>\$2,451,011</u> |

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND
 CHANGES IN FUND BALANCE--GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>General Fund</u> | <u>Revolving Fund</u> | <u>Totals</u> |
|---|-------------------------|---------------------------|------------------|
| <u>Revenues</u> | | | |
| Total revenues | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| <u>Expenditures</u> | | | |
| Total expenditures | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Net change in fund balance | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Fund balance, beginning of year | <u>299,158</u> | <u>-0-</u> | <u>299,158</u> |
| Adjustment to beginning fund balance | <u>252,855</u> | <u>-0-</u> | <u>252,855</u> |
| Fund balance, beginning of year, as restated | <u>552,013</u> | <u>-0-</u> | <u>552,013</u> |
| Fund balance, end of year | <u>\$552,013</u> | <u>\$-0-</u> | <u>\$552,013</u> |

See Independent Auditors' Report on Supplementary Information.

EXHIBIT C

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND--
BUDGETED AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|------------------|------------------|--|
| <u>Revenues</u> | | | |
| Interest income | \$ -0- | \$ -0- | \$ -0- |
| Other income | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total revenues | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| <u>Expenditures</u> | | | |
| Total expenditures | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Net change in fund balance | -0- | -0- | \$ <u>-0-</u> |
| Fund balance, beginning of year, as restated | <u>552,013</u> | <u>552,013</u> | |
| Fund balance, end of year | <u>\$552,013</u> | <u>\$552,013</u> | |

See Independent Auditors' Report and Supplemental Information.

EXHIBIT D

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
BLIGHTED PROPERTIES ADMINISTRATIVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Favorable (Unfavorable)</u> |
|---------------------------------|----------------------------|------------------|---------------------------|---|
| | <u>Original Budget</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Grants | \$1,320,000 | \$1,320,000 | \$1,292,941 | \$(27,059) |
| Other income | <u>13,450</u> | <u>13,450</u> | <u>13,450</u> | <u>-0-</u> |
| Total revenues | <u>1,333,450</u> | <u>1,333,450</u> | <u>1,306,391</u> | <u>(27,059)</u> |
| <u>Expenditures</u> | | | | |
| Salaries and employee benefits | 535,038 | 538,458 | 538,458 | -0- |
| Convention and travel | 8,932 | 8,932 | 8,932 | -0- |
| Advertisement | 5,786 | 5,786 | 5,786 | -0- |
| Repairs and maintenance | 15,000 | 4,676 | 4,676 | -0- |
| Contractual services | 432,792 | 439,935 | 412,876 | 27,059 |
| Equipment and property | 239,973 | 239,653 | 239,653 | -0- |
| Supplies | 10,159 | 10,240 | 10,240 | -0- |
| Telephone | 5,200 | 5,328 | 5,328 | -0- |
| Rent | 15,000 | 14,254 | 14,254 | -0- |
| Postage and printing | 3,738 | 4,323 | 4,323 | -0- |
| Insurance | 27,747 | 27,747 | 27,747 | -0- |
| Interest Expense | 31,900 | 31,938 | 31,938 | -0- |
| Other <u>2,185</u> | <u>2,180</u> | <u>2,180</u> | <u>-0-</u> | |
| Total expenditures | <u>1,333,450</u> | <u>1,333,450</u> | <u>1,306,391</u> | <u>27,059</u> |
| Net change in fund balance | -0- | -0- | -0- | <u>\$ -0-</u> |
| Fund balance, beginning of year | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | |
| Fund balance, end of year | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | |

See Independent Auditors' Report on Supplementary Information.

SCHEDULE I

NEW ORLEANS REDEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2005

| <u>Program Grantor/Title</u> | <u>CFDA Number</u> | <u>Grantor Number</u> | <u>Federal Expenditures</u> |
|---|------------------------|-----------------------|---------------------------------|
| PROGRAMS FUNDED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | | | |
| Pass Through CDBG Funds as Subgrantee of the City of New Orleans: | | | |
| Blighted Properties Administrative Fund | *14.218 | N/A | <u>1,292,941</u> |
| Total passed through funds | | | <u>1,292,941</u> |
| Total all programs | | | <u>\$1,292,941</u> |

*-Denotes Major Program as defined by OMB A-133

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal activity of NORA and is presented on a modified accrual basis of accounting. The information on this schedule is presented in accordance with other requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations."

See Independent Auditors' Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2005, and have issued our report thereon dated January 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NORA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of NORA in a separate letter dated January 24, 2007.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NORA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2005-01.

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana and the City of New Orleans and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 24, 2007

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Compliance

We have audited the compliance of **New Orleans Redevelopment Authority (NORA)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. **NORA's** major federal program is identified in the Summary of Auditor's Results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of **NORA's** management. Our responsibility is to express an opinion on **NORA's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements previously referred to that could have a direct and material effect on a major federal program occurred.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

An audit includes examining, on a test basis, evidence about NORA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on NORA's compliance with those requirements.

In our opinion, NORA complied, in all material respects, with the requirements previously referred to that are applicable to its major federal program for the year ended December 31, 2005. However, the results of our auditing procedures disclosed an instance of non compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2005-01.

Internal Control Over Compliance

The management of NORA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered NORA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)*

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana, and the City of New Orleans and is not intended to, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 24, 2007

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

I - Summary of Auditors' Results

Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Reportable condition (s) identified that are not considered to be material weaknesses? | None Reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal Control Over Major Programs: | |
| • Material weakness(es) identified? | No |
| • Reportable condition(s) identified that are not considered to be material weakness(es)? | None Reported |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes |

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of Major Programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|---|---|
| 14.218 | Blighted Properties Removal Program (CDBG) |
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee? | No |

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

Section II - Financial Statement Findings and Questioned Costs

There were no financial statement findings and questioned costs reported for the year ended December 31, 2005.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

Section III - Federal Award Finding and Questioned Costs

Reference Number

2005-01

Federal Programs

Community Development Activities Program (See Schedule of Expenditures of Federal Awards).

Criteria

Section I of the "Scope of Services" contract between NORA and the City of New Orleans states:

" The Contractor agrees to provide the Mayor's Division of Housing and Neighborhood Development, 1340 Poydras Street, 10th Floor, New Orleans, Louisiana on the fifth (5th) working day of the month, one (1) copy of the information described and requested in the Monthly Reporting Requirements, as may be amended, and designated as Attachment IV, which is attached hereto and made a part of this agreement. Additionally, the contractor agrees to provide the Mayor Division of Housing and Neighborhood Development, 1340 Poydras, 10th Floor, New Orleans, Louisiana on the fifth (5th) working day of each month, one (1) copy of the information described and requested in the Direct Benefit Report, as may be amended, and designated as Attachment V, which is attached hereto and made a part of this agreement. The Contractor further agrees to provide the Department of Finance's Bureau of Accounting, Room 3W02, City Hall, 1300 Perdido Street on the fifth (5) working day of each month, one (1) original and one (1) copy of both the Monthly Reporting Requirements and Direct Benefit Profile."

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

Section III - Federal Award Finding and Questioned Costs, Continued

Reference Number, Continued

2005-01

Condition

NORA filed its program reports with the City of New Orleans during 2005 for the months from January 2005 through June 2005. As a part of our testing for compliance with the established criteria previously described, we noted the following:

- - The number reported to reflect the number of blighted properties applications received for the month of April 2005 (month tested) was 18. Our review of supporting documentation, provided to us by NORA, revealed 10 as the correct number of applications received; and
- No program reports were filed for the months subsequent to June 2005.

The City of New Orleans was impacted by Hurricane Katrina on August 29, 2005, resulting in the temporary displacement of its population.

Context

The federal award for the Community Development Activities Program was one-hundred (100) percent of the \$1,320,000 total federal award for the year ended December 31, 2005.

Questioned Costs

None.

Effect

Non compliance with the reporting requirements of the contractual agreement between NORA and the City of New Orleans.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

Section III - Federal Award Finding and Questioned Costs, Continued

Reference Number, Continued

2005-01

Cause

The impact of Hurricane Katrina.

Recommendation

We recommend that management seek a waiver from the City of New Orleans in regards to the attainment of the established goals and/or required monthly reporting for the months of September through December 2005.

Management's Response

Management of NORA has submitted the reports for July and August 2005. Also, staff has been advised to complete the rest of the reports in addition to the request for a waiver. Anticipated completion date is June 30, 2007.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2005

Section IV - Status of Prior Year's Findings and Questioned Costs

Reference Number

98-3 and 97-1

Condition

NORA currently maintains a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because NORA is on a cost reimbursement basis with its only funding source, a significant amount of transactions undertaken by NORA results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis nor are interfund activities reconciled on a monthly basis.

Current Status

Unresolved. Management continues to work with its funding source to ensure the timely reimbursement of cost. In addition, NORA continues to explore other sources of funding and/or financing of its operations.

NEW ORLEANS REDEVELOPMENT AUTHORITY

An exit conference was held with a representative of NORA. The contents of this report were discussed and management indicated their concurrence in all material respects. The following were in attendance:

NEW ORLEANS REDEVELOPMENT AUTHORITY

| | | |
|------------------|----|---------------------------|
| Joseph Williams | -- | Executive Director |
| Darrick Le Beouf | -- | Deputy Executive Director |

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| Paul K. Andoh, Sr., CPA, MBA, CGFM | -- | Partner |
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Member
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Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

Mr. Joseph Williams, Executive Director
New Orleans Redevelopment Authority

In planning and performing our audit of the financial statements of New Orleans Redevelopment Authority (NORA), we considered NORA's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during the course of our audit, we became aware of matters that are opportunities for strengthening internal control and operating efficiency. We previously reported on NORA's internal control in our report dated January 24, 2007. This letter does not affect our report dated January 24, 2007, on the financial statements of NORA.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with NORA's management, and will be pleased to discuss these comments in further detail at your convenience and to perform any additional study of these matters;

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR'S COMMENTS

2005

The following summarizes our current year's comments and suggestions:

Condition

Considering the size of NORA, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of NORA's assets.

Recommendation

Management and the Board of Commissioners should continue to provide the level of oversight necessary in all key internal control areas.

Management's Response

The management team and Board of Commissioners of NORA recognize the importance of re-establishing a strong system of internal controls. NORA is expanding its organizational structure to include a Finance and Administration Division. This Division will employ a Certified Public Accountant and other accounting staff to facilitate the development and maintenance of these controls.

Condition

The operation of NORA's internal control over financial reporting exhibited the following conditions:

- Untimely preparation of reconciliations of all significant subsidiary ledgers to their related general ledger control accounts; such as acquisition payable, payroll costs, sales and inventory, etc.; to include resolution of any unreconciled differences between the subsidiary ledgers and the general ledger control accounts.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR'S COMMENTS,(CONTINUED)

2005

Condition, Continued

- Untimely preparation and submission of monthly financial statements to management and the Board of Commissioner;
- Untimely reconciliation of all cash receipts specifically for the "REALM" program (mostly application fees, acquisition costs, etc.) to the pre-numbered receipts issued, validated bank deposit slips and general ledger.

It is our understanding through discussion with management that the impact of Hurricane Katrina to include NORA's staffing levels contributed to some of the previously described conditions.

Recommendation

We recommend that management evaluate the conditions previously described with an aim towards ensuring the following:

- The timely and accurate reconciliation of all significant subsidiary ledger accounts to their related general ledger control accounts. This should include the timely resolution of unreconciled differences;
- Reconcile on a monthly basis all cash collections from the cash receipts log, pre-numbered receipts to the validated deposit slips and the general ledger. Also, all cash collection should be deposited on a timely basis; and
- Timely preparation and submission of financial statements to include budgeted to actual variance reports to management and the Board.

Management's Response

As a result of Hurricane Katrina, NORA's previous accountant left NORA's employ. Since that time, NORA has been employing a contract accountant who spends approximately one day a week on site. The expansion of NORA's accounting staff, as discussed above will enable NORA to be more diligent in its reconciliations and prepare financial statements on a more timely basis.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR'S COMMENTS,(CONTINUED)

2005

Condition

In 2004, NORA initiated a review and netting of interfund and intergovernmental activities to include closed out programs.

NORA has for several years through its current period maintained a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because NORA is on a cost reimbursement basis with its only major funding source, a significant amount of transactions undertaken by NORA results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis.

Recommendation

We recommend that management continue that process to the extent that it is practical to minimize the work effort related to the number of interprogram and intergovernment balances on NORA's general ledger.

Management's Response

NORA will, where possible, net out existing interfund and intergovernmental activities so as to clean up its financial statements. As NORA proceeds forward with diversifying its funding sources in the future, the need to make such transfers should diminish.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR'S COMMENTS,(CONTINUED)

2005

Condition

Currently, NORA does not have a formal written policy to address its custodial risk that results from deposits of funds held by others on its behalf in excess of \$100,000 (Federal Deposit Insurance Corporation limit). However, NORA maintains a collateral agreement with other institutions and reviews its adequacy on a periodic basis.

Recommendation

We recommend the establishment of a deposit policy to address all deposits of funds with others in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

Management's Response

Management has initiated a review of NORA's current policies and procedures and anticipates resolution by no later than April 30, 2007.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

PRIOR YEAR'S COMMENTS

2004 and prior

Condition

The operation of NORA's internal control over financial reporting exhibited the following conditions:

- Timely and accurate reconciliation of all significant subsidiary ledgers to their related general ledger accounts;
- Untimely review and approval of bank reconciliations by NORA's management;
- Properly accounting for vendor checks processed, which have not been released for payment and are currently listed in the uncleared checks section of the bank reconciliation; and
- No preparation and submission of monthly financial statements to management and the Board of Commissioners.

Current Status

Partially resolved. Management currently reviews and approves all bank account reconciliation on a timely basis. Also, see current year's comments section for additional discussion on the referenced condition.

Condition

Considering the size of NORA, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of NORA's assets.

Current Status

See current year's comments.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of Board of Commissioners, management, the City of New Orleans, Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised State 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

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January 24, 2007